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Message Text

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61
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01

/100 W
---------- 001152
R 081445Z AUG 75
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 5728
INFO AMEMBASY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN

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E.O. 11652: N/A
TAGS: USEGJC EINV EFIN
SUBJECT: BANKING - CHASE MANHATTAN GETS GREEN LIGHT

REF: CAIRO 7378 (NOTAL)

SUMMARY: PM SALEM HAS TAKEN A DIRECT AND PERSONAL INTEREST IN OPENING OF FOREIGN BANKS IN EGYPT, PROMISING CHASE THAT IT CAN OPEN ON SEPT 15. EVEN WILL HAVE SIGNIFICANCE EXCEEDING COMMENCEMENT OF FIRST JOINT-VENTURE BANKING OPERATION. IT WILL BE MAJOR WIDENING OF STILL NARROWLY CONSTRICTED "OPEN DOOR". END SUMMARY

1. CHARGE WAS TELEPHONED EVENING OF AUG 7 BY GUENTHER NEUBERT, VP OF CHASE MANHATTAN AND KEY MAN IN COMPANY'S ONE-YEAR EFFORT TO OPEN JOINT VENTURE WITH NATIONAL BANK OF
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EGYPT, TO REPORT ON MEETING HE HAD JUST HAD WITH PM SALEM,

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AT LATTER'S REQUEST.

2. SALEM ASKED FOR AND LISTED TO EXPLANATION OF STATUS OF BANKS' EFFORTS TO OPEN, AND THEN INFORMED NEUBERT THAT "NECESSARY STEPS" WOULD BE TAKEN SO THAT CHASE NATIONAL BANK WOULD BE ABLE TO BEGIN OPERATIONS ON SEPT 15. SALEM SAID THAT A MINISTERIAL DECREE WOULD BE ISSUED TO "REPLACE" THE PRESIDENTIAL DECREE ONLY RECENTLY OBTAINED (SEE BELOW) AND IT WOULD APPEAR IN THE OFFICIAL GAZETTE ON SAT, AUG 9.

3. NEUBERT REPORTED FURTHER THAT SALEM URGED HIM TO OPEN SECOND PLANNED BRANCH OFFICE IN ZAMALEK "AS SOON AS POSSIBLE" AFTER MAIN GARDEN CITY OFFICE IS IN OPERATION, PRIOR TO END OF YEAR IF POSSIBLE. PM ADDED HE WANTED TO BE NOTIFIED PROMPTLY IF ANY OBSTACLES WERE ENCOUNTERED.

4. NEUBERT ADVISED EMBOFF ON AUG 8 THAT HE HAS ALREADY RECEIVED PROMISED MINISTERIAL DECREE, ALTHOUGH IT HAS NOT YET BEEN TRANSLATED (BANK IS CLOSED ON FRIDAYS) AND HE IS MOVING AHEAD TO BE FULLY PREPARED TO OPEN SEPT 15. HE IS SENDING ANNOUNCEMENTS TO "SEVERAL HUNDRED" BUSINESSMEN INVITING THEIR ACCOUNTS, INCLUDING ONE TO PM OFFERING HIM ACCOUNT NUMBER 1.

5. COMMENT: AT TIME OF PM HEGAZY'S DISMISSAL AND SALEM'S APPOINTMENT IN APRIL, PRES SADAT HEAVILY EMPHASIZED LACK OF PROGRESS ON IMPLEMENTATION OF OPEN DOOR AS ONE OF PRINCIPAL REASONS FOR CHANGE. SINCE THAT TIME, PM SALEM HAS REPEATEDLY STRESSED NECESSITY FOR AND IMPORTANCE OF REMOVAL OF OBSTACLES TO INFLOW OF FOREING CAPITAL IF DEVELOPMENT EFFORT WAS TO HAVE ANY CHANCE OF SUCCESS. SINCE MAJOR HURDLES OF BUREAUCRATIC DELAYS AND INEFFICIENCY ARE BY DEFINITION DIFFICULT TO OVERCOME, SALEM WAS HAVING HARD TIME IN SHOWING ANY MEANINGFUL PROGRESS.

6. IN SELECTING BANKS AS AREA IN WHICH SUCCESSFUL EFFORT CAN BE DEMONSTRATED TO SADAT, FOREIGN BUSINESS COMMUNITY AND LOCAL DOUBTERS, PM HAS MADE WISE CHOICE, REFLECTING, INTER ALIA, DEMARCHES MADE AT HIGHEST LEVELS BY EMBASSY OVER PAST MONTHS INCLUDING, IN PARTICULAR, COMMENTS MADE BY CHARGE TO SALEM SHORT TIME AGO. DURING PM'S RECEPTION FOR
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WHITE HOUSE FELLOWS, CHARGE TOOK OCCASION TO MENTION OBSTALCES ENCOUNTERED BY CHASE AND OTHER BANKS, TO SURPRISE OF SALEM WHO SAID HE HAD ASSUMED THEY WERE ALL IN OPERATION AND PROMISED TO LOOK INTO MATTER, AS HE EVIDENTLY HAS. SINCE BANKS ARE ALREADY HERE IN COUNTRY WAITING ONLY FOR PERMISSION TO START, AND SINCE THEY ARE ALSO AN EXTREMELY SYMBOLIC MANIFESTATION OF OPEN DOOR IN ACTION, OPENING OF CHASE WILL REPRESENT MAJOR PROGRESS IN OVERCOMING RESISTANCE OF OPPONENTS TO FOREIGN

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CAPITAL, ESPECIALLY IN EGYPTIAN BANKING CIRCLES.

7. IN CONVERSATION WITH EMBOFF A FEW HOURS BEFORE SUPRISE CALL FROM SALEM, NEUBERT SAID HE HAD RECENTLY BEGUN ANOTHER SERIES OF ENDEAVORS TO GET THINGS MOVING, AND HAD BEEN VERY IMPRESSED WITH DEMONSTRATIONS OF SPEED AND ABILITY OF GOE TO PRODUCE DOCUMENTS HE HAS BEEN WAITING MONTHS TO RECEIVE, ALMOST SUCCEEDING IN RESTORING HIS HOPE OF EVENTUALLY OPENING BANK. HE SAID PRESIDENTIAL DECREE HAD TAKEN 48 HOURS FROM TIME HE HAD RESUBMITTED REQUEST, AND NECESSARY NOTARIAL CERTIFICATION OF COMPANY'S STATUTES HAD BEEN ACCOMPLISHED IN THREE DAYS, AFTER A 5 MONTH WAIT. (HE IS UNCLEAR, AS IS EMBASSY, HOW NEW MINISTERIAL DECREE RELATES TO PRESIDENTIAL DECREE.)

8. RECENT PASSAGE OF NEW BANKING LAW (REFTEL) WAS EXPECTED TO LAY GROUNDWORK FOR REASONABLE ABILITY OF LOCAL BANKS TO COMPETE WITH JOINT VENTURES (IN WHICH FOREIGNERS HOLD UP TO 49 PERCENT) IN COMING FEW MONTHS. SALEM'S ACTION, IF FULLY IMPLEMENTED, WILL ACCELERATE PRESUMED SCHEDULE. IF--A REASONABLE IF--HE SUCCEEDS IN GETTING CHASE NATIONAL INTO FULL-SCALE OPERATION ON SEPT 15 WITHOUT ANY OF MINOR RESTRICTIONS THAT HAVE BEEN RUMORED IN PAST (LOWER LIMITS ON SIZE OF LOCAL CURRENCY ACCOUNTS, CERTIFICATION OF ORIGIN REQUIRED FOR FOREIGN CURRENCY DEPOSITS), NEUBERT MUST BE CREDITED WITH A HIGHLY SIGNIFICANT ACCOMPLISHMENT.

9. OTHER JOINT-VENTURE LOCAL BANKS STILL WAITING IN WINGS (FIRST NATIONAL OF CHICAGO AND BANCO DI ROMA WITH BANK MISR; AMERICAN EXPRESS WITH BANK OF ALEXANDRIA; BARCLAYS INTERNATIONAL WITH BANK OF CAIRO) CAN BE EXPECTED TO LOOK FOR SIMILAR FACILITATION, AS WILL THE FOREIGN CURRENCY AND FREE-ZONE BANKS. A TOTAL OF 30 BANKS NOW HAVE OFFICES IN CAIRO (REPORT WILL FOLLOW)
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DESPITE THE PAST DIFFICULTIES WE CAN SAFELY ANTICIPATE THERE WILL BE MORE.
MAESTRONE

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